Why Our Graduates Are Settling in Other States

And why we shouldn't care

PHILIP A. TROSTEL

How often have those of us involved in public higher education heard a lamentation to the effect, "Since so many graduates of our public colleges settle in other states, why should our state subsidize the workforce development of other states?" Or, "Why should we get more people into college when we won't have enough jobs for more college graduates here?" Or, "Why should we produce more college graduates when it will just reduce the wage premium for our existing college graduates?"

These widespread sentiments indicate a general lack of understanding about jobs in a modern economy. The underlying notion is that the demand for college-educated labor is independent of supply. Indeed, we are taught in Econ 101 that the demand curve is independent of the supply curve. Yes, this is true in most kinds of markets, but not labor markets. The notion that labor demand is independent of labor supply is inconsistent with the evidence.

Contrary to previous dire predictions, the economic return to a college education is higher now than a generation ago. Moreover, the wage premium for college graduates is not lower in states educating high proportions of college students. Indeed, states educating relatively high numbers of college students attract roughly as many college graduates from other states as they lose to other states.

Jobs Are *Created*

The problem with the typical way of thinking about the labor market for college graduates is that it ignores two fundamental aspects of markets for labor.

First, jobs are created, and destroyed, all the time. Many jobs currently being destroyed were created only a generation ago. For example, American employment in computer manufacturing, once a significant growth industry, has been in steady decline for more than a decade. The demand for different types of labor is far from constant. The job market in a modern economy is constantly evolving.

Second, job creation does not happen randomly. The jobs that are created in a particular place and time are generally those that best match the skills of the local workforce. For example, if one wants to start a firm that needs low-skilled labor, there is an obvious incentive to place it in a low-wage region. If one wants to start a firm that needs rocket scientists, there is an obvious incentive to locate where one can most easily attract those kinds of skilled individuals. Similarly, the adoption of new technologies depends on the nature of the local workforce. Attracting educated workers from afar is costly. Hence, it is no coincidence that high-tech clusters, such as Boston's Route 128 corridor, are located near important universities. Although those with more education tend to migrate toward higher-paying regions, it is equally if not more true that high-wage jobs migrate toward regions with higher-skilled workers.

Supply Creates Its Own Demand

Another way of expressing this is that the supply of college graduates in a state essentially creates its own demand. This is a variation on the economics theme called Say's Law. A highly educated workforce, to a large extent, attracts and creates its own jobs. High-wage jobs are drawn to where there is an abundance of high-skill workers. So, what really matters for judging an individual state's interests in supporting higher education is not emigration, but *net* emigration. It is the net loss, not the gross loss, of college graduates to other states that matters. If educating college students attracts and creates good jobs and prosperity in a state, it doesn't really matter if those jobs are filled by in-state or out-of-state graduates.

Interstate migration occurs for many reasons such as cultural amenities and weather, and there will always be some emigration of labor, but to focus on the gross emigration of a state's college graduates is to mix these reasons with the specific effect of new graduates on the state's labor market. Moreover, workers and jobs are not homogenous (especially in instances of high skills); thus, "job matching" is an important aspect of labor markets. The lowest rate of emigration of college-educated labor is not necessarily desirable. When matching workers to highly specialized jobs, having employees with the most appropriate skills is what matters.

What is desirable from a state's economic perspective is the *thickening* of the labor markets for various types of educated labor. A state with a thick supply of highly skilled workers has a significant competitive advantage in attracting and creating high-wage jobs. Firms locating in a place with a deep talent pool find it significantly easier, and less costly, to find workers best suited to their labor needs. Why else would firms in the knowledge business, where there are no shipping costs, locate in relatively expensive cities such as Boston? It is the net impact of new college graduates on intrastate labor markets that is the relevant issue.

Intrastate Impact of New Grads

I recently conducted a study quantifying the net impact of new college graduates on states' job markets for college

graduates. Contrary to the widespread perception, this research clearly indicates that the effect of producing college graduates in a given state on the state's overall college attainment is close to proportionate. More specifically, the intrastate effect of new college graduates on college attainment appears to be at least 90% and most likely higher. That is, for every 100 people graduating from college in a state, the state's overall college-educated population increases by 90 or more. In fact, for graduates from public colleges, the effect appears to be fully proportionate.

On average, states graduating relatively high numbers of college students experience only a small net loss of graduates. States graduating lots of college graduates also create lots of jobs for college graduates. The evidence also clearly reveals that new college graduates in a state have no noticeable impact on either unemployment or wages of college graduates in the state. The wage premium from having a college degree is not affected by having relatively high numbers of college graduates.

The Northeast is different from the rest of the United States in terms of higher education. Relatively more college education in the Northeast occurs in private institutions. Presumably this is the main reason why public support for higher education in the Northeast is much lower than in the rest of the nation. In addition, more students in the Northeast cross state lines to attend college, and, because the states are smaller geographically, their labor markets are generally more integrated with those in neighboring states.

For these reasons, the within-state effect of college graduates on attainment is somewhat lower in the Northeast than in the rest of country. Nonetheless, the intrastate effect of new college graduates on college attainment in the Northeast appears to be about 80% or more, and the effect is even higher for graduates from public colleges in the Northeast (about 94%). The evidence indicates that the net loss of college graduates is considerably smaller than popularly believed. So it is still in individual New England states' interests to get more students into their colleges. But there is also more reason for interstate cooperation in higher education in New England compared with the rest of the nation.

Philip A. Trostel *is a professor of economics and public policy in the University of Maine's School of Economics and the Margaret Chase Smith Policy Center and faculty affiliate in the Wisconsin Center for the Advancement of Postsecondary Education at the University of Wisconsin–Madison. This article is based on P. Trostel, "The Impact of New College Graduates on Intrastate Labor Markets," Wisconsin Center for the Advancement of Postsecondary Education Working Paper No. 11, 2007. Email: philip.trostel@maine.edu.*

~~Insecure?~~

~~Keeping New England college campuses safe from violence~~

~~ALYSSA FRANZOSA~~

~~On April 16, 2007, Seung-Hui Cho traded in his title as "student" for one of "gunman." That day, Cho, a student at Virginia Tech, was responsible for the deadliest shooting spree by a single person in U.S. history, killing 33 people, including himself. Ten months later on Valentine's Day, Steven Kazmierczak joined Cho in the ranks of student gunmen, killing five people on the Northern Illinois University campus and then taking his own life.~~

~~Though unrelated, these violent acts are linked in their impact. They engender fear in students, parents, faculty members and campus administrators that on any given day, one student might become a murderer —or a murder victim.~~

~~The threat of campus insecurity exists nationwide, and colleges throughout the country are overhauling their safety initiatives. Last year, Massachusetts Gov. Deval Patrick and the state Department of Higher Education commissioned four experts on the subject to author a report, *Campus Violence Prevention and Response: Best Practices for Massachusetts Higher Education*. The July 2008 report analyzes past and present practices for safety and violence prevention, and recommends better, more comprehensive practices to keep Massachusetts students safe.~~

~~So, what exactly *should* be done to provide a safer campus?~~

~~"The way to treat [the threat of campus violence] is the same way one treats something like fire safety," says Bridgewater State College psychology professor Elizabeth Englander, one of the report's four authors. "You let people know you are thinking about it and that you know how to react."~~

~~Communication is key and, in an age when students get the bulk of their campus information online, the Internet must play a vital role in a college's security communications. "This generation is apt to go first to the website," Englander says. "It's an important avenue."~~